MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BAC4634 – CORPORATE ACCOUNTING 2

(All sections / Groups)

7 JULY 2023
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 7 pages (excluding the cover) with 4 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

On 1 January 2022, V Bhd acquired 80% of the issued share capital of C Ltd. In High Country, where C Ltd. is located, the local currency is the H$. The carrying value of its net assets was reflected their actual value. The financial year end for V Bhd and C Ltd is 31 December annually.
As of 31 December 2022, the followings are the financial statements of V Bhd and C Ltd:

Statement of profit or loss
for the year ended 31 December 2022

	V Bhd RM'000	V Bhd RM'000	C Ltd H$'000	C Ltd H$'000
Revenue		45,000		25,000
Opening inventory	1,250		1,300	
Purchases	29,500		20,000	
	30,750		21,300	
Closing inventory	(750)	(30,000)	(2,300)	(19,000)
Gross profit		15,000		6,000
Expenses	5,000		3,750	
Depreciation	1,000	(6,000)	1,500	(5,250)
		9,000		750

Statement of financial position
as at 31 December 2022

	Additional information	V Bhd RM'000	C Ltd H$'000
Non-current assets			
Land	(i)	-	2,250
Plant and equipment	(ii)	7,500	7,750
Investment in C Ltd		5,000	-
Current assets			
Inventory		750	2,300
Trade receivables		650	1,000
Bank		300	2,300
		14,200	15,600
Equity and Liabilities			
Ordinary shares		8,300	10,500
Retained profit		2,700	2,000
Trade payables		3,200	3,100
		14,200	15,600

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Additional information:

i) The land (a non-depreciable asset) was purchased on 1 August 2022 for H$2,250,000.

ii) On 1 January 2020, C Ltd had acquired all of the plant and equipment.

iii) The following exchange rates are relevant:

	RM	H$
1 January 2020	1	2.15
1 January 2022	1	2
31 December 2022	1	2.5
1 August 2022	1	2.25
Average rate 2022	1	2.5

Required:

Apply the MFRS121: *The Effects of Changes in Foreign Exchange Rates* and net investment method to:

a) prepare a translated and consolidated statement of profit or loss for the year ended 31 December 2022 for V Group.

(12 marks)

b) prepare a translated and consolidated statement of financial position as at 31 December 2022 for V Group.

(13 marks)

(Total: 25 marks)

QUESTION 2

PART A

White Berhad is a Malaysian listed company, engages in the furniture business. The financial year end is 31 December annually. The statement of financial position as at 31 December 2022 is furnished by the management as follows:

Statement of financial position as at 31 December 2022

ASSETS	RM	RM
Machinery	1,000,000	
(-) Accumulated depreciation	(600,000)	400,000
Deferred tax asset		2,000
Inventory		200,000
Interest receivable		80,000
Trade receivables	600,000	
(-) Provision for doubtful debts	(60,000)	540,000
Cash		2,120,000
		3,342,000

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LIABILITIES AND EQUITY	
Trade payables	392,000
Accrued interest	200,000
Loan	1,000,000
Ordinary share capital	1,400,000
Retained earnings	350,000
	3,342,000

Additional information:

i) The balances in the deferred tax asset are the previous year's carried forward closing balances.

ii) The accumulated capital allowance as of 31 December 2022 is RM720,000. There was no disposal or revaluation of machineries in year 2022 and previous years.

iii) Interest receivable is accrued on a time basis and is taxable upon receipt of cash.

iv) Accrued interest is repayable on 1 February 2023.

v) The tax rate for year 2022 and 2021 is 30%.

Required:

In accordance with MFRS 112: *Income Taxes*,

a) Prepare a table containing carrying amount, tax base, temporary differences and deferred tax for the year (show all assets and liabilities in the table).

(12 marks)

b) Prepare journal entries to record the movement of deferred tax during the year.

(2 marks)

PART B

Orange Berhad is an investment holding company. The financial year end is 31 December annually. In recent years, Orange Berhad has acquired Life Sdn. Bhd. and recorded a goodwill of RM48 million.

Life Sdn. Bhd. incurred losses during the year ended 31 December 2022. An impairment review was performed. The recoverable amount of Life Sdn. Bhd. was estimated to be RM200 million. Included in the assessment was the factory owned by Life Sdn. Bhd. which had been damaged in a flood and impaired to the extent of RM8 million. The carrying amount of the net assets of Life Sdn. Bhd. at 31 December 2022 are as follows.

	RM'million
Factory	120
Motor vehicles	48
Current asset (fair value less cost to sell)	44

None of the assets of Life Sdn. Bhd. including goodwill have been impaired previously. Live Sdn. Bhd. does not have a policy of revaluing its assets.

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Required:

a) Apply the measurement requirements of MFRS 136: *Impairment of Assets* in allocating the impairment losses on 31 December 2022 to all assets including goodwill (show all workings).

(9 marks)

b) Prepare journal entries to record the recognition of impairment losses for year 2022.

(2 marks)

(Total: 25 marks)

QUESTION 3

PART A

Garuha Berhad incorporated on 15 July 2015. Its accounting period ended 31 December yearly. To compensate for the efforts of the staff, on 1 Jan 2017, the company granted its CEO 500,000 options with the exercise price of RM 0.25 per share. The options have a 4-year vesting period and will vest after the vesting period provided the CEO remains in its employment. The options are exercisable within the period of 2 years after the vesting period.

Owing to the fact that Garuha Berhad is a new start-up company, the company was not able to estimate reliably the fair value of the options granted. Based on net tangible asset backing per share, the fair value of the shares is estimated as follows:

Date	Estimated fair value per share
1 January 2017	RM 0.25
31 December 2017	RM 0.32
31 December 2018	RM 0.33
31 December 2019	RM 0.35
31 December 2020	RM 0.38
31 December 2021	RM 0.40
31 December 2022	RM 0.50

The CEO exercised the options in the following manners:

Date	Number of options exercised
31 December 2021	100,000
31 December 2022	400,000

Required:

In accordance with MFRS 2: *Share-based Payment*, determine the journal entries for the year ended 31 December 2017 to 2022.

(13 marks)

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PART B

As at 30 June 2023, Figh Bhd has the following transactions:

a) On 30 June 2023, Figh Bhd provided a loan to Gingham Bhd. at RM 2,000,000 at 6% interest rate. The loan is expected to be fully collected at the end of year 5. Interest is paid by Gingham Bhd on yearly basis. Figh Bhd. determined that the loan has a low default risk and the probability of default within the next 12 months is 1%.

b) On 1 Jan 2023, Figh Bhd. invested in an equity instrument and made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the investments in the equity instruments. The quoted price of the equity instrument is RM 500,000 with the transaction cost of RM 1,000. On 1 Apr 2023, the fair value of the instrument rose to RM 512,000. At the end of 30 June 2023, Figh Bhd. disposed the instrument at RM 529,000.

c) Figh Bhd. issued RM 5 million 10% convertible loan notes on 30 June 2023. The loan will matured on 30 June 2025. Upon maturity, the holders have the option to convert the loan notes to ordinary shares. The market interest rate was 12%.

d) Figh Bhd. purchased a bond that has a principal amount of RM 1,000,000 at a fixed interest rate of 6% per year. The company classifies and measures the bond at fair value through other comprehensive income. Soon after, Figh Bhd enters into an interest rate swap and exchanges the fixed interest rate payments it receives on the bond for floating interest rate payments, in order to offset the risk of a decline in fair value. The swap has a fair value of zero at the inception of hedge. As at 30 June 2023, the market interest rate has increased to 7% and the fair value of the bond has decreased to RM 960,000. The fair value of the swap has increased by RM 40,000.

Required:

In accordance with MFRS 9: *Financial Instruments*, identify the journal entries for the transactions above.

(12 marks)

(Total: 25 marks)

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QUESTION 4

Part A

Sunrise Bhd. has a defined benefit scheme funded since 1 January 2008. For year 2022, information related to the scheme are as follows:

Interest rate	12%
Expected return on plan asset	15%
Contribution made	RM 80,000
Current service cost	RM 68,000
Benefits paid	RM 4,800
Present value of obligation as at 1 Jan 2022	RM 142,000
Fair value of plan assets as at 1 Jan 2022	RM 150,000

At 31 December 2022, the present value of the obligations is RM 240,000 while the fair value of the plan asset is RM 264,000.

Required:
In accordance with MFRS 119: *Employee Benefits*,

a) Calculate the actuarial gain/ loss for the year 2022. (7 marks)
b) Determine the journal entries pertaining to the defined benefit scheme of the company for the year 2022. (3 marks)

Part B

Lovina Berhad is a company selling diving equipment and accessories. It has 31 December as accounting year end. The company is currently preparing its quarterly interim financial statement for the period of 1 April 2023 to 30 June 2023. The following transactions took place:

a) The company has a contractual agreement with its staff that an annual bonus equivalent to 2.5% of the annual salary will be paid if the total sales of the year exceeded RM 5 million. The budgeted sales estimated in year 2023 budget stated RM 5.2 million. As at 30 June 2023, the company has a total sales of RM 3 million, which was RM 400,000 exceeded the budgeted sales for the first 6 months of the year. An annual estimated salary for the year was RM 800,000.

b) As at 31 March 2023, the estimated net realisable value of the inventory in the warehouse was RM 1.5 million while the costs was RM 1.7 million. On 30 June 2023, the net realisable value of the inventory recorded RM 1.8 million.

c) The company incurred research and development costs amounted to RM 2.8 million. As at 31 March 2023, the incurred development costs did not fulfil the recognition criteria stated in MFRS 138. The development costs, however, had successfully fulfilled the recognition criteria under MFRS 138 on 25 May 2023.

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d) The company has expected to declare a dividend of RM 600,000 for the current accounting period. The dividend was then declared on 28 December 2023.

Required:

In compliance with MFRS 134: *Interim Financial Reporting*, determine how the company should deal with the above transactions in its interim reports for the year 2023.

(8 marks)

Part C

Lino Berhad has identified the following segments. The results of each of the segments for the year ended 30 June 2023 recorded the followings:

Segments	Revenue		Total Profit/ (Loss) RM (million)	Total assets RM (million)
	External RM (million)	Intersegment RM (million)		
P	900	60	80	1,240
L	760	80	8	800
I	60	20	18	140
F	120	0	(6)	120

Required:

In accordance with MFRS 8: *Operating Segments*, identify the reportable segments of Lino Berhad for the year ended 30 June 2023. (7 marks)

(Total: 25 marks)

End of Paper.